



STATE OF WASHINGTON

OFFICE OF THE FORECAST COUNCIL

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May 12, 2003

TO: Senator Lisa Brown, Chair
Senator Dino Rossi
Representative Jack Cairnes
Representative Jeff Gombosky
Marty Brown, OFM, Director
Will Rice, DOR, Acting Director

FROM: Chang Mook Sohn, Executive Director
Office of the Forecast Council

SUBJECT: May 10, 2003 REVENUE COLLECTION REPORT

General Fund-State collections were \$7.9 million below the forecast for the April 11-May 10 collection period. Revenue Act sources (retail sales, business and occupation, use, public utility and tobacco product taxes) were \$17.2 million below the estimate for the month. The Revenue Act shortfall was partially offset by higher than expected estate tax, property tax, real estate excise tax and brokered natural gas tax receipts. Despite this month's shortfall, General Fund-State collections are still \$4.7 million above the estimate for the two months since the March forecast due to more than expected revenue last month.

The swift and positive outcome to the war in Iraq resulted in a sharp increase in consumer confidence in April (April's jump was the largest increase since the end of the first Gulf War). However, it is too early to know if the quick end to the war and the rise in confidence will produce a significant post war bounce in spending. Collections in the current midmonth period primarily reflect March activity and it was weak. While some of the weakness can perhaps be attributed to the "CNN effect", much of the weakness was likely due to the economy. The economy remains sluggish. Nationally, real Gross National Product (GDP) increased only 1.6 percent in the first quarter of 2003. More importantly, the economy is still losing jobs. The U.S. economy lost 124,000 jobs in March and another 48,000 in April. Despite the economic weakness and a less than expected collections this month, the revenue forecast still is on track, with collections still above the forecast cumulatively since the March forecast. Whether it remains on track depends on whether or not the economy gets its expected bounce and starts to add jobs.

After increasing faster than expected last month (2.7 percent), Revenue Act collections were weaker than expected this period. Collections this period primarily reflect March 2003 activity of monthly taxpayers and January-March activity of quarterly filers. Revenue Act receipts were 3.4 percent below a year-ago (adjusted for special factors) in the April 11-May 10 collection period. We were expecting a 1.0 percent decline. The decline this month is the first in four months and the largest drop since June 2002. For the first quarter of 2003 as a whole, Revenue Act collections were 0.1 percent below the year-ago level. Revenue Act receipts had posted year-

over-year increases in the prior two quarters. However, the decline for the quarter was small and is consistent with the March forecast.

Preliminary data on taxes paid during the April 11- May 10 collection period indicates weakness pretty much across-the-board. Tax payment for most major sectors were flat or down compared to the year-ago period. The retail trade sector which had been doing a little better than non-retailing sectors was up less than 1.0 percent for the current period. Within retail trade, the only sectors reporting gains were the building materials/garden equipment retailers and non-store retailers. Most non-retailing sectors reported declines in tax payments, some of which were quite large. The utilities and manufacturing sector reported double-digit declines in tax payments, although tax payments by non-aerospace manufacturers were up from a year-ago. Other non-retailing sectors reporting declines in tax payments were the construction, information, real estate/rental leasing and other services sectors. There were some areas of growth. Major non-retailing sectors reporting year-over-year increases include: management/education/health services, professional/technical/ scientific services, accommodations, and food services.

Non-Revenue Act General Fund taxes collected by the Department of Revenue were \$8.7 million above the forecast in April. Higher than expected real estate excise tax, estate tax, property tax and "other" (primarily brokered natural gas) receipts more than offset a little weaker than expected cigarette and liquor tax collections for the month. Cumulatively, for the two months since the March forecast, Non Revenue Act sources are \$2.7 million more than expected, mostly due to higher than expected property and real estate excise tax revenue.

The growth of real estate activity decelerated in March after several very strong months but it was still quite strong and a little higher than expected in the forecast. Real estate activity based on closings reported by counties in March (reflecting payments to the state in April) was 12.1 percent above the year ago level statewide. Growth varied considerably by county although growth in the state's three largest counties was similar to the rest-of-the state. Activity in King, Snohomish and Pierce counties increased 10.9 percent, while the rest -of-the-state reported a 14.3 percent gain. Activity last month increased 22.3. percent statewide and for the last six months it was up a very strong 28.4 percent.

Department of Licensing General Fund collections were \$681,000 more than anticipated in April. Cumulative their General Fund collections are \$590,000 above the forecast. The attached Table 1 provides a comparison of collections with the March forecast for the April 11 - May 10, 2002 collection period. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

CMS:cg

Attachments

TABLE 1
Revenue Collection Report
May 10, 2003 Collections Compared to the March 2003 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference</u> <u>Amount</u>	<u>Percent</u>
April 11 - May 10, 2003				
Department of Revenue-Total	\$849,265	\$840,733	(\$8,532)	-1.0%
Revenue Act** (1)	736,123	718,912	(17,211)	-2.3%
Non-Revenue Act(2)	113,142	121,821	8,679	7.7%
Liquor Sales/Liter	7,438	7,155	(283)	-3.8%
Cigarette	4,118	3,822	(296)	-7.2%
Property (State School Levy)	49,571	52,085	2,514	5.1%
Estate	5,988	8,312	2,324	38.8%
Real Estate Excise	35,710	37,549	1,840	5.2%
Timber (state share)	0	0	0	NA
Other	10,318	12,898	2,580	25.0%
Department of Licensing (2)	3,021	3,702	681	22.5%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$852,286	\$844,435	(\$7,851)	-0.9%
Cumulative Variance Since the March Forecast (March 11, 2002 - May 10, 2003)				
Department of Revenue-Total	\$1,491,089	1,495,205	4,116	0.3%
Revenue Act** (3)	1,306,206	1,307,653	1,447	0.1%
Non-Revenue Act(4)	184,883	187,552	2,669	1.4%
Liquor Sales/Liter	14,171	13,775	(396)	-2.8%
Cigarette	8,583	7,944	(639)	-7.4%
Property (State School Levy)	66,189	70,299	4,109	6.2%
Estate	13,842	13,067	(775)	-5.6%
Real Estate Excise	67,082	68,650	1,568	2.3%
Timber (state share)	0	(0)	(0)	NA
Other	15,017	13,818	(1,199)	-8.0%
Department of Licensing (4)	3,917	4,506	590	15.1%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$1,495,006	\$1,499,712	\$4,706	0.3%

1 Collections April 11 - May 10, 2003. Collections primarily reflect March 2003 activity of monthly taxpayers and Jan.-March activity of quarterly filers.

2 April 1-30, 2003 collections.

3 Cumulative collections, estimates and variance since the March 2003 forecast; (March 11 - May 10, 2003) and revisions to history.

4 Cumulative collections, estimates and variance since the March forecast; (March & April 2003) and revisions to history.

* Based on the March 2003 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing.

TABLE 2
April 10, 2003 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
March 11 - April 10, 2003				
Department of Revenue-Total	\$654,472	\$654,472	\$0	0.0%
Revenue Act (1)	588,741	588,741	(0)	-0.0%
Non-Revenue Act(2)	65,731	65,731	0	0.0%
Liquor Sales/Liter	6,620	6,620	(0)	-0.0%
Cigarette	4,123	4,123	(0)	-0.0%
Property (State School Levy)-net	18,213	18,213	0	0.0%
Property tax collections	18,213	18,213	0	0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	4,755	4,755	0	0.0%
Real Estate Excise	31,100	31,100	0	0.0%
Timber (state share)	0	0	0	NA
Other	920	920	(0)	-0.0%
Department of Licensing (2)	769	760	(9)	-1.2%
Lottery (2)	0	0	0	NA
Total General Fund-State***	\$655,241	\$655,232	(\$9)	-0.0%

Cumulative Receipts: March 11 - April 10, 2003 & Revisions to History

Department of Revenue-Total	654,472	\$654,472	\$0	0.0%
Revenue Act (3)	588,741	588,741	(0)	-0.0%
Non-Revenue Act(4)	65,731	65,731	0	0.0%
Liquor Sales/Liter	6,620	6,620	(0)	-0.0%
Cigarette	4,123	4,123	(0)	-0.0%
Property (State School Levy)-net after transfer	18,214	18,214	(0)	-0.0%
Property tax collections	18,214	18,214	(0)	-0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	4,755	4,755	0	0.0%
Real Estate Excise	31,100	31,100	0	0.0%
Timber (state share)	0	0	0	NA
Other	920	920	(0)	-0.0%
Department of Licensing (4)	825	760	(65)	-7.9%
Lottery (4)	0	0	0	NA
Total General Fund-State***	\$655,297	\$655,232	(\$65)	-0.0%

Preliminary. Reported in the April 10, 2003 collection report.

1 Collections March 11 - April 10, 2003. Collections primarily reflect February 2003 business activity of monthly taxpayers.

2 March 1-31, 2003 collections.

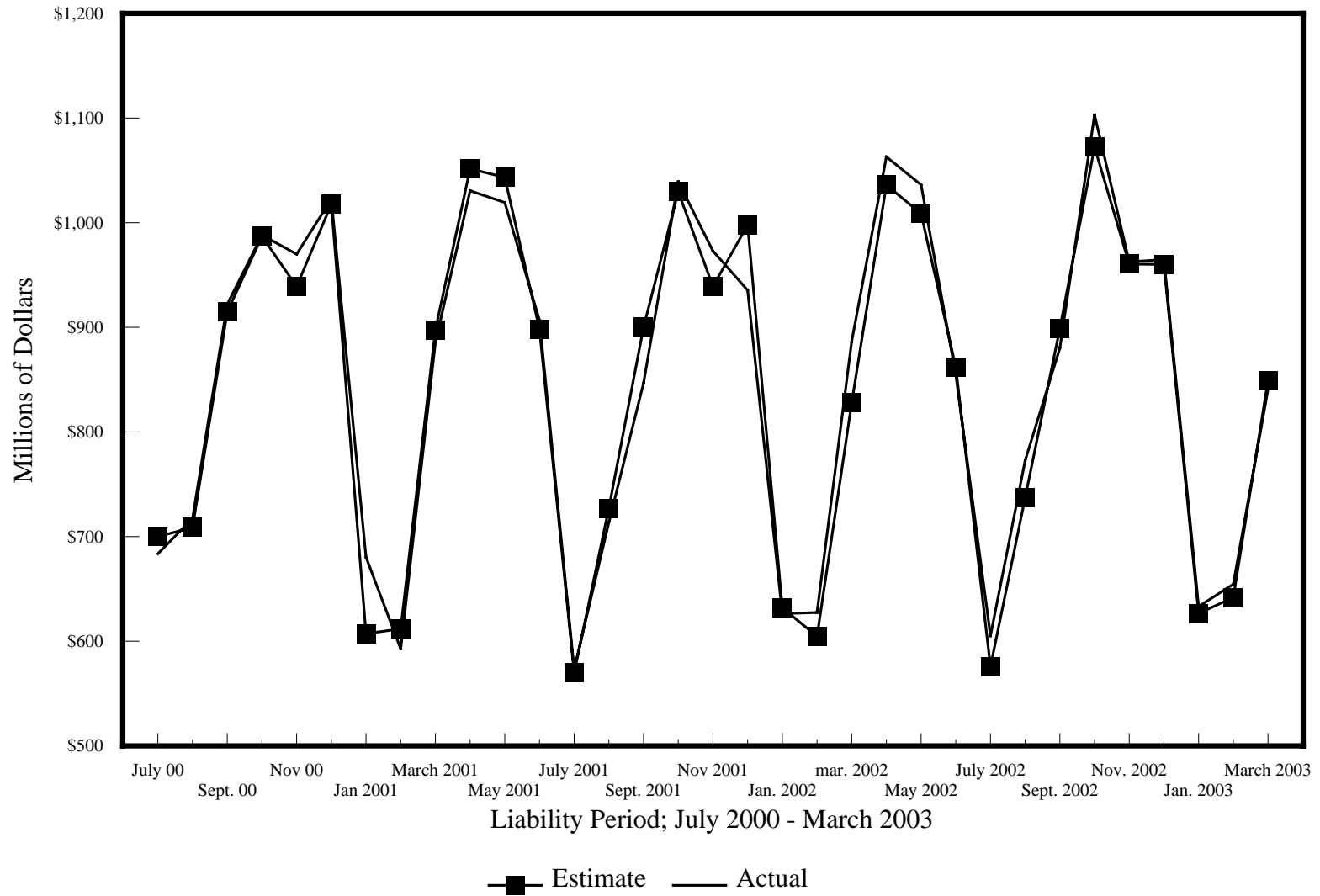
3 Cumulative receipts since the March 2003 forecast: March 11-April 10,2003 & revisions to history.

4 Cumulative receipts since the March 2003 forecast (March 2003) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

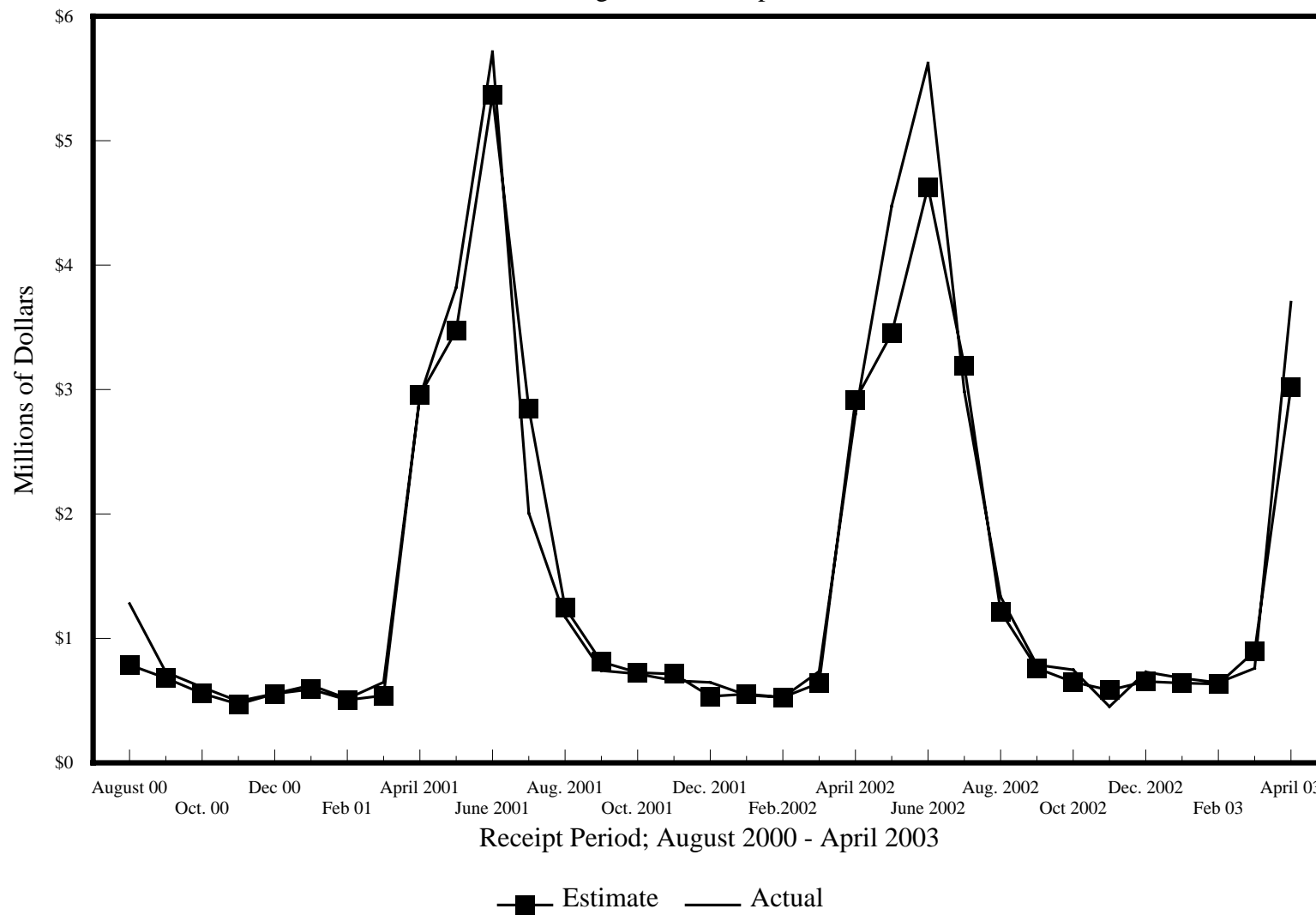
Department of Revenue: General Fund-State, Actual vs. Estimate

July 2000 to March 2003



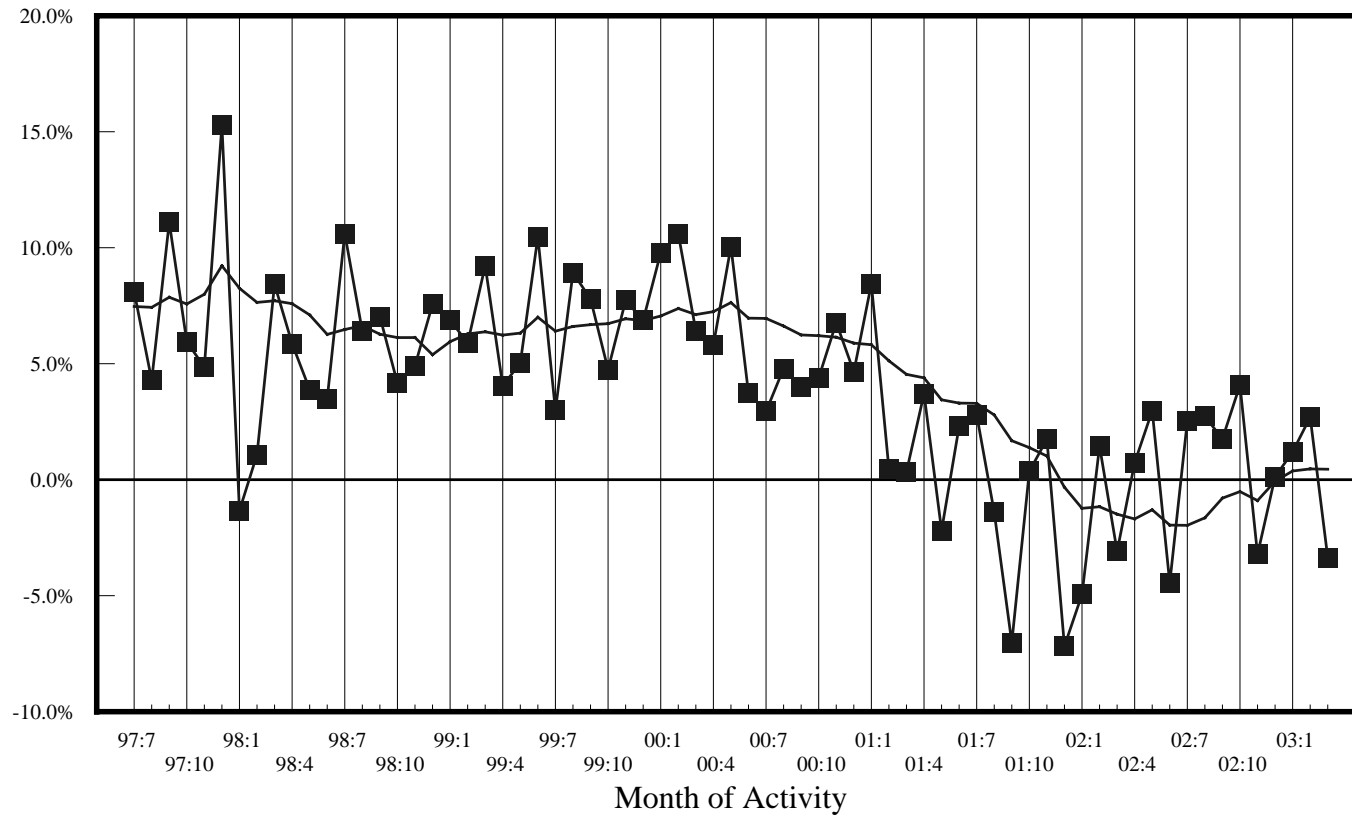
Department of Licensing General Fund-State, Actual vs. Estimate

August 2000 to April 2003



Revenue Act Net Collections*

Year-over-Year Percent Change



■ %CH from year-ago month

— Twelve Month Moving Average

*Adjusted for special factors